





THE  
GEORGE WASHINGTON UNIVERSITY  
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

COMPTROLLERSHIP ASHORE

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For  
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## FOREWORD

This paper is an elemental discussion designed to stimulate thinking on the part of naval officers who are unfamiliar with the field of comptrollership, particularly as it applies to field activities of the naval shore establishment. It proceeds from the general to the particular in: First, exploring the meaning of comptrollership in the Navy; secondly, in reviewing the guidance in the field; and lastly, in presenting the writer's interpretation of major points for consideration in the application of comptrollership to a shore activity.

It is hoped that the third part of this paper, which discusses problem areas in the implementation of comptrollership, may serve as a common meeting ground for those most intimately involved, namely, the Commanding Officer, the Comptroller, and the Heads of Departments. Such a common meeting ground is believed a necessity for the review of an existing comptrollership or for the establishment of a comptrollership at an activity.

The writer was a head of an operating department at an activity which went through the throes of establishing a "Comptroller Department" and experienced the impact of a strengthened staff upon the traditional, strong line concept of the Navy. The installation, still incompletely functioning at the end of a year and a half, was a trial and error rather than a planned process. This was because the Commanding Officer, the Comptroller,







and the Heads of Departments had few common concepts or an awareness of many of the ramifications of this new function.

Admittedly, the opinions expressed herein are subject to adjustment to local conditions and personnel available. Since, however, they are applications of recognized administrative principles, they should be disregarded knowingly rather than unwittingly. A principle violated through lack of awareness will return to plague the violator until recognized and compensated.



## CHAPTER I

### CONTROL MEANS COMMAND

As the Navy proceeded with its investigations following the tragic loss of Hobson in a night collision with Wasp in 1952, the Wall Street Journal published an editorial which dramatically expresses and lauds the Navy's philosophy of administrative management. The editorial gravely states:

On the sea there is a tradition older even than the traditions of the country itself. . . . It is the tradition that with responsibility goes authority and with them both goes accountability.

This accountability is not for the intentions but for the deed.<sup>1</sup>

These words contrast heavily with the recent, enlightened philosophy in business. Much of this philosophy, based on "freedom to fail," is epitomized in the writings of William B. Given, Jr., Chairman of the Board, American Brake Shoe Company.

It is not our purpose here to take issue with Mr. Given's philosophy, for it is fairly proven to be profitable for business. Nor is there a desire to reconcile the Navy's philosophy with that of business. They are different strains of the grain of administration, and it is doubted that a leaven exists that can make them one.

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<sup>1</sup>Hobson's Choice, Wall Street Journal, May 14, 1952, P. 10.





In speaking of administration in the Navy, a most important consideration is the Navy's very strong concept of line control. The Skipper is indisputably the head man. His is the responsibility and the authority. And his is the accountability.

This strong line concept has generated a keen awareness and suspicion of anything which, by any stretch of the imagination might affect command prerogatives. The business of command has so engrossed the minds of many officers that they truly do not understand the distinction between line and staff relationships. To them the word "staff" is a lower case term applying to those "ineligible for command at sea." It is indeed unfortunate that some will learn too late that nothing could be more irrelevant and that a working knowledge of line and staff relationships and the principles of organization need be increased far greater proportionally than seamanship if they would aspire to higher and higher command. They would protest if presented with the thought that the Navigator is essentially a "staff officer."

This condition has been recognized by higher levels in the Navy Department. BuPers Instruction 1416.1 of June 30, 1954 offers exemption from examination in the "Executive Area" for Commanders being examined for the rank of Captain, if they read certain selected writings in the field of administration and organization. There are a great many worthwhile works in this field, and it is this writer's belief that some of the best, condensed writing is contained in a service published book of only eighty-five pages. It is volume IV - Principles of Administration - in the Emergency Management of the National Economy



series published by the Armed Forces Staff College.

The advent of comptrollership, since it comes from outside the Navy, has aroused suspicion of its impact upon command prerogatives. It is a testy subject in the service among those who have not yet become acquainted with its full meaning. No firm, all inclusive policy exists on it. Navy regulations and service traditions do not cover the subject. The three military departments and even the Bureaus of the Navy appear to differ extensively in its implementation. The field has thus far not been affected too strongly by it, and, because of its newness it is somewhat of an unknown quantity to most naval officers.

Since comptrollership, as we shall see in the next chapter, is a concept of American business which has been adopted for us by the Congress, it may be fair to predict that its earlier full development may be expected in the shore establishment rather than in the fleet. Businessmen and politicians may not venture to "kibitz" the man whose feet are firmly planted in the shoes of command on a rolling deck, but when a naval officer assumes a command on the beach and is subject to the scrutiny of civilian employees and the surrounding community, he can prepare himself for a certain amount of "Monday-morning-quarterbacking" from outsiders.

One of the basic differences between single ship command at sea and command ashore is that the shoreside Skipper receives a far greater quantity of money earmarked for a greater variety of expenditures. He has no one like a Type Commander who will plan and direct his efforts and provide for a great many of his needs.





He has greater latitude in planning his needs which are often dictated by local conditions such as the labor market, politics, wage conditions and other considerations. Except in a few cases of smaller activities, he has the personnel to perform the accounting function for all the expenditures of his command. His command is a complete business enterprise which may be likened to a modern corporation. The American people are the stockholders; the Navy Department is the Board of Directors which concerns itself with major policy; the Commanding Officer is the President of the corporation and responsible for its operation.

One of the most important considerations concerning money is that it is specifically given to the Skipper by his official title of Commanding Officer. It is his responsibility to operate his station so as to perform its mission. The document which transmits funds to him from a higher echelon gives him the authority to spend those funds. In turn he is accountable to the higher echelon to spend wisely and lawfully.

The Disbursing Officer and the Navy Regional Accounts Office distribute his money; the Fiscal Officer records what has been spent; but it is the Commanding Officer, and he alone, who spends the money. He does this by permitting heads of departments to allow certain persons to sign stub requisitions and approve time cards of employees in order to obtain materials and perform work in keeping with the mission of the station. In this matter he delegates a great deal of authority and responsibility, and, in turn, he can demand accountability. However, he is not relieved of his accountability to the higher echelon.





But the Commanding Officer, like the President of a corporation, does not have enough time to check each and every expense. What he needs, therefore, is a Navigator to point out financial rocks and shoals. This Navigator is the Comptroller.

The above discourse is such an over-simplification and under-statement of comptrollership as to be almost inaccurate. Surely we spent money, lots of it, before we had comptrollers, and in many places we do not have them yet. How did it get done? A standard reply might well be, "A committee handled it. The heads of departments and the Supply and Fiscal Officer had something to do with it. There were some civilians involved. At any rate somebody must have handled money matters." In such a case was the Commanding Officer really taking a strong part in it? Since a station actually runs on money, was he truly at the conn?

To open another avenue of thought we might consider the possibility that the Comptroller, in addition to pointing out financial rocks and shoals, can also, by properly accumulating and analyzing fiscal data, develop interesting and worthwhile information on the performance of segments of the station's effort. This can enable the Commanding Officer to determine the effectiveness of certain policies. To go even further, it may be possible for the Comptroller to make an accurate prediction of the effects of a proposed change in policy.

If the Commanding Officer makes full use of the information and advice which a comptroller can give him, he will have his station under control. He will be in full command of its effort.



Many writers in the field of Comptrollership and many of the businessmen who have addressed the Navy Graduate Comptroller-ship class at the George Washington University admit to an unfortunate connotation in the words "control" and "Comptroller." To a man, they stress the staff position of the comptroller.

It is the writer's contention that Control means Command, and that the comptroller is a staff assistant to the Commanding Officer for the purpose of collecting, analyzing, interpreting and presenting factual data to the Commanding Officer to enable him better to control or command his station.

With these thoughts in mind, let us explore the existing guidance in the field of comptrollership and, then, set up and examine some major considerations in the actual implementation of comptrollership at a shore station.





## CHAPTER II

### GUIDANCE

Comptrollership in the Navy is not born of tradition although much of its development to date and probably all of its future development will be the outgrowth of practices which form themselves into customs and traditions. Comptrollership in the Armed Services is definitely founded in the law of the land. This law appears to be limited to the Departmental level at the seat of the government, but there is, as with most laws, a growing set of rules based on administrative decisions in carrying out the law. Aside from these two there is a body of principles and techniques, not confined to the Navy and not explicitly defined, which are generated in the practice of any art, science or profession. These three sources provide guidance in the field, and we shall examine each.

#### Legal

The National Security Act of 1947 was amended in 1949 to include among other things a title IV which sets forth in broad terms the legal requirements and objectives of Comptrollership in the Department of Defense. It is so basic to an understanding of comptrollership in the Navy that it is quoted below.

#### Comptroller of Department of Defense

Sec. 401 (a) There is hereby established in the Department of Defense the Comptroller of the Department of Defense, who shall be one of the Assistant Secretaries of Defense.



(b) The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including but not limited to those specified in this subsection. Subject to the authority, direction, and control of the Secretary of Defense, the Comptroller shall -

- (1) supervise and direct the preparation of the budget estimates of the Department of Defense; and
- (2) establish, and supervise the execution of -
  - (A) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to -
    - (i) the preparation and execution of the budgets,
    - (ii) fiscal, cost, operating, and capital property accounting,
    - (iii) progress and statistical reporting,
    - (iv) internal audit, and
  - (B) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and
- (3) establish uniform terminologies, classifications, and procedures in all such matters.

#### Military Department budget and fiscal organization - Departmental comptrollers

Sec. 402. (a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organization structure and managerial procedures relating thereto in the department of which he is the head to be organized and conducted in a manner consistent with the operations of the Office of the Comptroller of the Department of Defense.

(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, or a Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organization structure and managerial procedures relating thereto. The Secretaries of the military departments may in their discretion appoint either civilian or military personnel as comptrollers of the military departments. Departmental comptrollers shall be under the direction and supervision of, and shall be directly responsible to, either the Secretary, the Under Secretary, or an Assistant Secretary of the respective military





departments: Provided, that nothing herein shall preclude the Comptroller from having concurrent responsibility to a Chief of Staff or a Chief of Naval Operations, a Vice Chief of Staff or a Vice Chief of Naval Operations, or a Deputy Chief of Staff or a Deputy Chief of Naval Operations, if the Secretary of the military department concerned should so prescribe. Where the departmental comptroller is not a civilian, the Secretary of the department concerned shall appoint a civilian as Deputy Comptroller.

Thus we, who with a limited field activity viewpoint may be concerned over the impact of comptrollership on our strong line concept, can see that the establishment and objectives of comptrollership at the Washington level are founded in law. Naturally, with these responsibilities devolving upon the Secretary of the Navy, there are bound to be some implementing directives which find their way to the Bureaus and from them to the field.

It is important to come to the realization that "seldom has a piece of legislation of such importance passed the Congress with as little controversy as did title IV."<sup>1</sup> Also it is important to know that title IV has not been forgotten by the Congress in the years since its adoption in 1949. Preparedness Subcommittee No. 3 of the Senate Armed Services Committee held extensive hearings in 1953 to determine the extent of implementation of this part of the law. Some of their comments were encouraging, but others were not very flattering and gave indication that there will be many more investigations into the effectiveness with which the services are implementing

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<sup>1</sup>U. S. Congress, Senate, Implementation of Title IV National Security Act of 1947 as Amended, Interim Report of Preparedness Subcommittee No. 3, Committee on Armed Services, dated January 15, 1954, (Washington: Government Printing Office, 1954), p. 2.





the Act. And it is important to understand that Congress knows that there is some reluctance to embrace comptrollership. The same subcommittee stated:

There is some dispute as to whether there has been serious resistance on the part of the military to title IV. An objective analysis of the evidence adduced indicates, we believe, that there has been such resistance, unconscious though it may have been, which resulted from apprehension that title IV, in some way, would usurp the prerogatives of the military and interfere with the command structures of the three services.<sup>1</sup>

Finally, and no less important than the considerations listed above, we all know and believe that it is not a command prerogative to resist the law.

#### Departmental

The Secretary of the Navy in his Instruction 5400.4 of 18 November 1953 states:

It is the policy of the Secretary of the Navy to establish comptroller organizations in all bureaus and offices, Navy Department, Headquarters, Marine Corps, and major activities of the Navy and Marine Corps. It is desired that the program of establishment currently in progress be accelerated as rapidly as may be practicable.

The chiefs of bureaus and offices, Navy Department, the Commandant of the Marine Corps, and appropriate administrative commanders may within their discretion direct the establishment of a comptroller organization for an activity under their command or management control, or authorize the commanding officer to establish a comptroller organization on his own initiative.

Thus we see it is the Secretary's policy that comptroller organizations should be established at major field activities, and we see a note of urgency in proceeding with such establishment.

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<sup>1</sup>Ibid., 21.



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However, the Secretary has not arbitrarily set deadlines and locations for establishment of comptroller organizations.

Here we are in the administrative decision area of interpretation of the law. In the furtherance of these administrative policies the Secretary transmitted an enclosure to this instruction of which he says; "Establishment of comptrollers to perform the functions described in enclosure (1) is strongly recommended as a major step towards improved financial management as well as direct service to command authority."

This enclosure gives the basic concepts of comptrollership, the basic functions, a suggested organization chart and an "elaboration of duties" for comptrollers at bureau, headquarters and office level and for activity level.

Since we are leading up to further elaboration of the comptroller's functions at a naval shore activity, it is considered appropriate to quote the basic concepts and recommended activity level duties from this instruction.

Basic Concept. Most of the comptroller functions are being performed in varying degrees in all Navy bureaus and field activities. The new elements introduced by the concept of comptrollership as it is practiced in the Department of the Navy are:

1. Emphasizing the constructive aspects of the reporting, analysis and interpretative functions as distinct from the purely recording functions.
2. Improving budget formulation and execution through the collection and utilization of accounting and program data at all organizational levels.
3. Coordinating and integrating the several comptroller functions to provide concisely to the commanding officer the basic data essential for efficient, economical and effective management.

#### Activity Level

1. Budget. The budget function consists of the following duties:





- a. Provides guidance and instructions for preparation of the activity budget estimates.
- b. Reviews budget estimates submitted by components and recommends approval, revision, or disapproval of items or estimates to the commanding officer.
- c. Prepares activity's budget estimates and justifications.
- d. Prepares operating budget reflecting approved program plans and schedules.
- e. Controls fund authorization to the activity and recommends revisions, modifications, or reprogramming, as appropriate, to higher authority.
- f. Recommends allocations of civilian personnel to departments and programs within the activity.
- g. Reviews program performance against the funding plan, analyzes overhead variances and other deviations therefrom, and recommends remedial action where appropriate.

## 2. Accounting and Disbursing.

a. Duties. The accounting and disbursing function consists of the following duties:

- (1) Maintains required accounting records, including records of obligations and expenditures against allotments and project orders.
- (2) Prepares accounting reports for local management and for submission to higher authority.
- (3) Conducts cost accounting operations.
- (4) Maintains plant property account records and stores inventory ledgers and records, and submits all property returns.
- (5) Supervises and conducts timekeeping operations.
- (6) Maintains civilian pay, leave, and retirement records, and prepares civilian pay rolls.
- (7) Pays civilian pay rolls, and when authorized, pays public vouchers and military pay rolls and issues savings bonds.
- (8) Prepares and submits disbursing reports and returns.

b. Organization. The Accounting and Disbursing Division may be subdivided into the Accounting Branch and the Disbursing Branch. To properly separate functions and responsibilities, the Accounting Branch may be further subdivided into the Timekeeping, Pay Roll, Appropriations and Cost, Stores, and Machine Records Sections. The Disbursing Branch may be organized into sections for Military Pay, Public Vouchers, Fiscal and Savings Bonds, as required. For stations financed under the Navy Industrial Fund, the Pay Roll Branch may become a section of a General Accounting Branch which, with approval of the management bureau or office and the Comptroller of the Navy, is tailored to fit local requirements.





3. Progress Reports and Statistics. The progress reports statistics function consists of the following duties:

- a. Develops and/or coordinates within the activity reporting systems from which data are derived as a basis for quantitative analysis of performance against approved programs, budget plans, and schedules.
- b. Maintains records on the budget plans and schedules, examines trends and program status, and reports variances from the plans to responsible levels of management at the activity.
- c. Provides central coordination point primarily for all budgetary and fiscal statistical data released from the activity and for such other reports as may be specifically assigned.
- d. Develops instructions and guides to assist offices within the activity in reporting data.
- e. Prepares recurring progress reports for top management for all major programs administered by the activity as related to the financial plan, highlighting unusual situations.
- f. Performs special statistical analyses as required.

4. Internal Review. At large installations, such as shipyards, an internal review function may be of sufficient magnitude to warrant the establishment of a special staff. Such a review function consists of the following duties:

- a. Reviews and evaluates the system of checks and balances used for internal accounting control, internal records, and fiscal procedures in terms of adequacy and effectiveness, and develops revisions and recommends remedial action when appropriate.
- b. Conducts periodic examinations of accounting and financial statistical reporting; based on such examinations, recommends remedial action to correct defects and to improve effectiveness of accounting and financial reporting operations.
- c. Develops and supervises programs for checking labor and material distribution.
- d. Performs local fiscal planning.
- e. Coordinates preparation of, reviews and maintains Comptroller Department regulations, orders, and bulletins, and makes recommendations for changes thereto.

We can see that the Secretary of the Navy has covered the field of general guidance thoroughly. In fact he has gone so far as to define the subfunctions within the major functions. But here we can remind ourselves that the Secretary has not made these ideas mandatory. He has had the wisdom to see that there is a





complicating element to almost every problem which comes under the label of "people." People are necessary to the workings of the philosophy of comptrollership, and people with freedom to think may start slower but arrive faster than those who have a policy driven into them while failing to understand its purpose.

Aside from guidance from the Secretary, most Bureaus have issued additional policy guidance. Anyone interested in the matter of comptrollership at a particular activity should be careful to examine any guidance set forth by the management control bureau for that activity. It is not necessary here to proceed into this area inasmuch as such details are pointed toward the particular type of activity concerned. "Forms change. The important thing is the thought."<sup>1</sup> Furthermore, most bureaus are not so arbitrary in this matter of comptrollership that they will not permit a commanding officer to tailor a comptroller organization to the peculiar needs of his station and the personnel available.

#### Business

Since comptrollership in the Navy is in its infancy, and since it was adopted for us by the Congress, let us look for its true paternity and heritage so that we may better understand its care, feeding and probable future development. While there are a few archaic references to the word comptroller, the concept we now have is a product of American business which dates back only about twenty five years.

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<sup>1</sup>RADM. E. W. Clextion in addressing Navy Graduate Comptrollership group, George Washington University, Dec. 16, 1954.



Dean Jackson of the Graduate School of Business, Stanford University says:

Comptrollership represents one of the most important organizational developments in American business during the past half century. Many modern business units are far larger than any previously existing; and the progressive executive has rapidly come to realize that a strong and efficient function of record keeping and "navigation," organized along modern and scientific lines, is essential if he is properly to manage and control his business operations.<sup>1</sup>

Many writers in the field of business and many businessmen firmly hold to the thought that a company which does not aggressively pursue the philosophy of comptrollership cannot long maintain its position and is in fact doomed to oblivion. In this day of intensive competition, adequate records, sound analysis and prudent forecasting are mandatory in eliminating inefficiencies which force costs up and thereby render a business incapable of competing in the market. This is an arresting thought if we realize that many naval officers in the shore establishment are running businesses which in point of annual dollars expended would place them among the foremost one hundred corporations in the country. Can the nation's economy bear inefficiency from lackadaisical management of governmental activities any more than it can support inefficient corporations?

The Controllers Institute of America was established in 1932 as a national organization to satisfy a need for professional development in the field of comptrollership. This organization may be recognized as a foremost authority on comptrollership. In

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<sup>1</sup>J. Hugh Jackson, "The Growth of the Comptrollership Function," Comptrollership in Modern Management, ed. by T. F. Bradshaw and C. C. Hull (Chicago: Richard D. Irwin, Inc. 1950), II.



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1949 the Institute adopted a list of six functions which it considers to comprise the full concept of comptrollership in business. These functions are:

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.

2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.

3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.

4. To report to government agencies, as required, and to supervise all matters relating to taxes.

5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and special forces and of governmental influences as they affect the operations of the business.

6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.

We often hear it said that we cannot compare government with business because there is no profit motive in government. Also it is said that the lack of this profit motive automatically leads to waste and inefficiency in government. On the other hand it can be argued that lack of this profit measure of performance is what makes governmental administration a much more difficult task than business administration.



Let us examine the six comptroller functions of the Controllers Institute to determine how many of them are applicable to a command ashore.

The first principle relates to having and maintaining a plan for the control of operations. Other factors can be substituted for the Institute's "cost standards, expense budgets, sales forecasts, profit planning and programs for capital investment and financing."

The Navy's system of "work measurement" can be substituted for "cost standards." This is a control tool by which comparisons can be drawn in the performance of activities in a great many areas of their effort. From work measurement a Commanding Officer can discover areas that should be investigated because of unusual variances that his station may have in certain functions with respect to standard work measurement values for those functions. Furthermore, in industrial activities, and to a degree in modified industrial activities, actual cost standards can be developed.

The shore station can retain the idea of "expense budgets" because this is merely having a budget with items broken down into the various types of expenditures to be made. Since budgets are prepared, they can be used to compare actual expenditures with the figures previously estimated for such expenses. Perhaps budget figures were poor and actual expenditures are appropriate and necessary, but then there is the possibility that someone is permitting money to go for purposes not originally intended.







"Sales forecasts" can be replaced by "workload forecasts."

Is the station to continue at the same pace or are changes up or down expected? If a change is foreseen, how much is it likely to be and what areas will it affect?

"Profit planning" is definitely not applicable, but an attempt can be made to evaluate the soundness and efficiency of the management in general terms and with respect to prior years.

"Programs for capital investment" are definitely a part of the station's work. They are the Master Plan, the Shore Station Development Program and requests to the parent bureau for funds for minor new construction and improvements. Have the projects been thrown together simply because they would be nice to have? Have the weak projects been weeded out and strong justifications, financially sound and based on the mission, been prepared for the management control bureau?

In the matter of programs for "financing" there is no comparison with business except on the national level. Governmental financing is the problem of the Treasury.

It can be seen that the lack of the profit motive has little effect on the ability of the Navy to conform to the major portion of the first principle of the Controllers Institute.

The second principle of measuring performance against the plan and reporting to all levels of management is the end, whereas the first principle of designing and maintaining the plan for control is the means. It is not enough that the Commanding Officer receive information on variance from the plan. The heads of departments and their subordinate supervisors, military and



civilian, should receive information on how well their organizational segments are performing in conformance with the plan. A man's morale is low when he says, "I wish I knew how I stand with the boss because he never tells me how I am doing." With an adequate report of variance from the boss' plan, a man will know where he stands and can institute corrective action on most matters without the boss having to tell him. The profit motive does not appear to interfere with successful performance under the second principle.

The third principle is to measure and report on the validity of the objectives and the effectiveness of the policies, organization structure and procedures in attaining the objectives. The objective, of course, is the station's mission which is determined by higher authority. However, it would be a Commanding Officer's responsibility to report if he felt the mission was no longer needed or should be expanded or altered from the local point of view. The bureau can certainly accept or reject such proposals. This is the external part of this principle. The internal part is to measure the effectiveness of local policies, procedures and organizational structure in the accomplishment of the mission. Just because a thing has been done in a particular manner since time immemorial is no reason to assume that it is the most economical way now without investigating the matter. A satisfactory answer must be obtained to the question, "Why is this done this way?" The profit motive does not bar the asking of this question.







With respect to the fourth principle of reporting to government agencies and supervising all tax matters, there is no question that taxes are not applicable, but reports to government agencies are many. Certain fiscal reports are required by law and many are required for administrative reasons by the several bureaus, the Civil Service Commission, the Federal Power Commission and so on. Except for taxes the shore station is not very different from business on this principle.

On the fifth principle the naval activity must bow to business, but not completely. Reporting on the effect of external influences on the business is a major area for businessmen, but even here there is participation to a degree. A sound analysis of the daily newspaper can show the shadow of coming events and estimates of their effect on future operations are possible. Many guidance letters from the Navy Department are quickly sent to file without thoughtful contemplation of their effect upon the future of the station. Comptrollership is a profound example of this. Title IV of the National Security Act has been in effect since 1949. It was well publicized and many policy letters on comptrollership were issued. SecNav Instruction 5400.4, part of which was quoted earlier in this paper, has been in effect for over a year, but was it really perused at each activity to predict where it would lead them? Again it may be said that the profit motive does not hinder effort by responsible naval personnel in this matter.

The sixth and final principle relating to protection for the assets of the business appears, like the fifth, to be mainly for



the businessman. Insurance can be neglected because the government insures itself. Adequate internal control and auditing are set up by higher authority in rules for the operation of Fiscal Offices and Supply Departments and inspections by the General Accounting Office, the Comptroller of the Navy and various other inspecting groups. But aside from financial assets there are physical property assets. Here the military is sometimes prone to over control. Is \$10,000 being spent annually to protect a \$5,000 investment? Are controls needlessly retained beyond the period of their need? Are too many clearances, forms, chits and signatures required before routine operations can be effected? Again, the profit motive can be eliminated from this principle.

Obviously, the active pursuit of the six principles listed by the Controllers Institute of America is more than a full time job. The Commanding Officer cannot find time personally to perform all these functions, but with qualified staff personnel to present him with facts and recommendations, he can more easily stay on top of his job and breathe a sigh of relief that he has his command under control.

With this background of guidance into the objectives of comptrollership let us proceed into some of the areas that require solution before a comptrollership organization can function properly at a shore station.







## CHAPTER III

### ISSUES IN IMPLEMENTING COMPTROLLERSHIP AT A SHORE STATION

Thus far we have dealt in the area of philosophy. Implementation, the actual placing in effect, of a comptrollership organization is a more detailed problem. We know the objectives we are to strive for, but what are some of the pitfalls in the path to these objectives? The following paragraphs are devoted to the major areas encountered by the writer in observing and being affected by the establishment of a comptrollership organization at a shore station.

#### The Climate and the Commanding Officer

The word "climate" in recent Washington "gobbledygook" is used to describe the atmosphere of receptivity for a particular idea. The climate may be described as "favorable" or "unfavorable" for this or that purpose. Naturally when the climate is favorable--when people are receptive--an idea will catch on quickly and reach efficiency in a short time. In this respect the climate in which a comptrollership must endeavor to serve at a shore station is all important to its success.

The most important person in determining the climate is the Commanding Officer. He sets the pace in everything. His enthusiasm, hot or cold, for any particular thing is mirrored down



to the last man on the station. Winston Churchill says, "The loyalties which centre upon number one are enormous."<sup>1</sup>

If the Commanding Officer does not comprehend comptroller-ship, it cannot successfully serve him. A comptroller who is faced with indifference on the part of the Commanding Officer will also face indifference, or perhaps even hostility from the heads of departments. Possibly after two or three years of hard, patient and tactful effort in providing good service, he may accomplish what he could have done in a few months with a favorable climate. In this respect it is well to quote from Churchill again:

It is always unfortunate when number two or three has to initiate a dominant plan or policy. He has to consider not only the merits of the policy, but the mind of his chief; not only what to advise, but what is proper for him in his station to advise; not only what to do, but how to get it agreed, and how to get it done. Moreover, number two or three will have to reckon with numbers four, five and six, or maybe some bright outsider, number twenty.<sup>2</sup>

The climate established by the Commanding Officer is probably the greatest single factor in its effectiveness. In inspecting an activity for the performance of its comptrollership organization, the climate should be determined first because it will provide the basic reason for findings in the many detailed items covered by the inspection.

#### ORGANIZATIONAL POSITION OF THE COMPTROLLER

Earlier consideration has been given to the strong line concept of the Navy. This concept generates a prideful feeling in

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<sup>1</sup>Winston S. Churchill, The Second World War, (Boston: Houghton Mifflin Co., 1949), Vol. II, p. 15.

<sup>2</sup>Ibid.







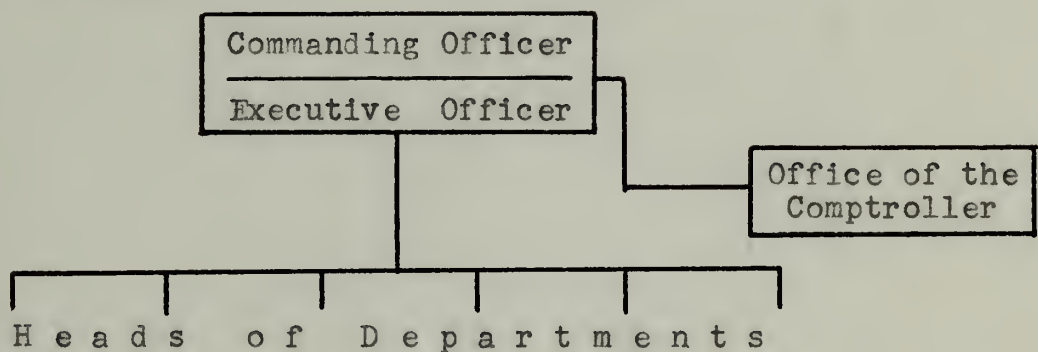
the officer who achieves the status of a head of department. He is running an important part of the show; he is, in a word, an operator. Likewise it has been stressed that the comptroller is strictly in a staff position. To emphasize this difference between the operator and the staff man, it would be advisable not to give the comptroller the title of "Head of Department." The most appropriate title for the comptroller organization in order to preserve this relationship appears to be "Office of the Comptroller." To be sure, the station organization manual can well say that the Comptroller has the status of a head of department, but since he is not officially a head of department there will be less fear that he will get into operations and more willingness toward acceptance of his staff services.

The position of the Office of the Comptroller on the station organization chart should be one of reporting direct to the Commanding Officer. Normally it should be in the traditional staff location, slightly lower and to the right or left of the Command but above the level of the departments. But the question of the Executive Officer's position is immediately raised by the foregoing recommendation. Is the Comptroller going to by-pass the Exec? Much depends upon the way the Commanding Officer operates. If he is an energetic doer, he will concentrate on day to day matters and the Executive Officer will concentrate on policy and planning. On the other hand, this picture can be completely reversed. The subject of Commanding Officer - Executive Officer relationships would be a study in itself. The simplest and best solution to this matter is to consider the Executive Officer as



an alter-ego of the Commanding Officer and to place them organizationally in a single box. This can leave no doubt in anyone's mind that the Executive Officer is to receive the same information as the Commanding Officer and is to be advised at the earliest possible moment should the Commanding Officer prefer to handle some matters directly with a lower echelon.

These organizational concepts can best be understood by reference to a proposed organization chart illustrated below.



#### Civilian or Military Comptroller?

The question of whether the comptroller should be civilian or military is one which may be argued indefinitely. Referring back to the law it will be noted that the Comptroller of the Department of Defense must be a civilian and that the comptrollers of the three military departments can be either. It will also be noted that, if the Departmental Comptroller is military, his deputy must be civilian. Since the passage of the law the Navy has continuously had a civilian Comptroller and a military deputy. The civilian in this case, however, is not a career civil service employee but an Assistant Secretary of the Navy.







Much has been said about the necessity for continuity in major positions, and it has been stressed that the civilian can provide that continuity whereas the military cannot by reason of the rotation policy. On the other hand, example after example can be given of high ranking civil service personnel transferring to other positions for pay increases in the same or less time than an officer's tour of duty.

It is not our purpose here to argue this ageless question but to forthrightly venture the opinion that the comptroller of a shore activity should be in the military. This viewpoint is expressed mainly because officers in the field are not accustomed to working with civilians on a contemporary basis; therefore, the benefits of comptrollership ashore will be achieved much more quickly and effectively with military rather than civilian comptrollers. It behooves the Navy to provide qualified military comptrollers.

The question of deputy comptrollers is another matter. Following the example set for us in the law we could adopt a general policy that the deputy comptroller of a shore activity should be a civilian. This appears to be a sound policy, but it is by no means as important to comptrollership ashore, in this writer's opinion, as the policy of having military comptrollers.

#### Seniority of the Comptroller

Again in the interest of obtaining quick effectiveness of the comptrollership functions it is strongly recommended that the Comptroller be a contemporary of, or senior to, the ranking head of department. Theoretically it is the man and his competence



in his work that are more important than his rank, but in a military system, try as we might to suppress it, rank will affect our thinking. Disregard of this principle will require considerable vigilance on the part of the Commanding Officer to bolster up his comptroller.

#### To Have or not Have the Accounting Function

The question of whether or not the comptroller organization should perform the accounting function is another which has many proponents on both sides.

One school of thought holds to the theory that accounting is an operating function. This school claims that so long as the comptroller has the right to establish the methods, systems and procedures to be followed in accounting, he can be free to concentrate on the broader aspects of comptrollership rather than be burdened with the responsibility of fiscal reporting and supervision of the operations of accounting personnel.

The other school believes that if the comptroller can direct the method of operation of the accounting office, he is in fact its supervisor. Also this school claims that in many cases there will be conflicts between the fiscal reporting requirements of higher authorities and the comptroller's desire for fiscal information for local operating needs. If the comptroller does not have the responsibility for fiscal reporting he will unduly burden the office which has that responsibility. On the other hand the office with the accounting function will keep that function as its primary objective and the information requested by the comptroller will be given considerably less priority.







Without doubt there will be difficulties caused by conflicting prime interests if the comptroller does not have the accounting function.

Both of these arguments have validity under certain conditions. The essential missed in the above arguments is the need of the basic type of organization to be served. Is it centralized or decentralized?

On the departmental level the Navy has adhered to a policy of decentralization of management control functions to the several bureaus. The Navy may be likened to the organization of the General Motors Corporation where the several producers of particularly named automobiles operate independently of one another but report to a central overall management which devotes itself to general policy. On the other hand, the Department of the Army operates on a centralized organizational basis where operating direction as well as the general policy objectives are retained in the central management organization.

It is noteworthy that the Office of the Comptroller in the Navy Department follows the first school of thought presented above and does not operate the accounting system. This function is performed by the bureaus which have the management control responsibility for the operation of certain activities assigned to them.

Conversely, in the Army, with its more centralized organizational concept, the Comptroller exercises considerably more influence in accounting operations.

To have or not have the accounting function in the comptrollership organization appears to be governed by the basic type of

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organization in which it must serve. .

The advantages of decentralization versus centralization would also be an extensive study, but suffice it to say that decentralization cannot be effective except in a very large and complex organization. Shore activities of the Navy operate on a centralized organizational basis, and it is the opinion of this writer that the comptroller of a shore station should have the entire accounting office, with its officer head, as one division in his organization.

#### To Have or not Have Management Engineering

Management engineering is nearly as new to the Navy as comptrollership. It is no more fair to attempt to describe management engineering in a few words than it would be to do the same for comptrollership. For the purposes of this paper, however, this must be done before an opinion can be expressed as to whether or not this function should be under the comptroller at a shore activity.

Management engineering in the shore establishment has progressed a little further than comptrollership, but it probably remains as little understood. It is the province of the civil service classification known as "Organization and Methods Examiner." Old timers in civilian industry would refer to him as an "efficiency expert." The field of the management engineer is that which has to do with organization, studies of organizational effectiveness, studies of methods and procedures for any type





of work, process charts, time and motion studies, design and control of forms, efficient layout of industrial and office spaces, the development of work standards and work measurement.

Except in shipyards, where the Shipyard Commander has a staff office of "Management, Planning and Review" headed by a senior officer with ship construction experience, management engineering has not formally appeared in the shore establishment or only made a token appearance in the civil service position of "Organization and Methods Examiner."

It is only natural to wonder whether there is an overlap between comptrollership and management engineering. Both are aimed at eliminating waste and inefficiency; one through the accumulation and analysis of fiscal data; the other through inspection and the application of proven principles and techniques.

It is this kindredness which prompts this writer to favor the inclusion of management engineering as a functional division in the comptroller organization at shore activities.

It is interesting to note that in the Navy Department the "Office of the Management Engineer" and the "Office of the Comptroller" are maintained separately. Here again we can point to the fact that the Department operates on a decentralized organization. With less day to day operational supervision on the highest level, it is quite feasible to maintain these offices separately.

In a centralized organization, such as a shore activity, the burden on the Commanding Officer in planning, operation and supervision is already so great that the merits of including the management engineering in the Office of the Comptroller should be





obvious. Modern technology has so greatly increased the number of specializations which a Commanding Officer must supervise that most naval organizations are now at the upper limit of the "span of control" principle for effective administration. The pendulum should be made to swing away from the direction of overburdening Commanding Officers with multifarious duties. With an "Office of the Comptroller" and an "Office of the Management Engineer" the Commanding Officer will have to coordinate their efforts and arbitrate certain jurisdictional and personality differences.

Before acquiring an additional person to report to him directly, a Commanding Officer should sincerely ask himself if he presently has sufficient time to think and plan, and whether or not this additional person will increase or decrease that time.

#### Other Considerations

The foregoing constitutes the writer's opinion and reasoning on the more prominent areas which must be resolved in establishing a comptrollership at a shore station. There are innumerable others ranging from these to the minor details which are applicable only to a particular station. Listed below are ten additional problem areas which are typical but by no means all-inclusive. They are presented as opinions of the writer, and, for brevity, no supporting reasoning is given.

1. The Comptroller should be made a member of all major boards and committees having to do with operational policy and future planning.
2. The Comptroller need not be an officer eligible for succession to command.



3. Heads of departments should never be required to forward any correspondence concerning policy in their departments to the Commanding Officer via the Comptroller. The Commanding Officer can refer such correspondence to the Comptroller for analysis and comments, but he should maintain an unblocked entrance to his door for his heads of departments.

4. As a corollary to the above, the Commanding Officer should refrain from making a decision adversely affecting a department based upon the Comptroller's recommendation without first permitting the head of department to be heard in the matter.

5. The Comptroller should not prepare the budget. He should provide coordination and should compile the individual budgets of the heads of departments for presentation to the Commanding Officer, but the budget for a department should be the responsibility of the department. The Comptroller should advise the Commanding Officer concerning previous expenditures for each department and the propriety, in his opinion, of changes proposed by the heads of departments. The head of each department should justify his budget to the Commanding Officer, not to the Comptroller, although in the preparation phase he may well collaborate with personnel of the Comptroller's office.

6. The Comptroller's first attention should be directed to the accuracy and timeliness of his reports of expenditures and obligations to the Commanding Officer and to the heads of departments who hold suballotments from the Commanding Officer.





7. Despite the fact that a station can be operated with central control of funds and without suballotments to heads of departments, the Commanding Officer should consider the value of suballotments in impressing upon heads of departments the seriousness of their responsibilities and in providing training for higher command.
8. The Comptroller should prepare reports of performance against the plan for heads of departments and lower echelons as well as for the Commanding Officer.
9. The organization chart, particularly the functional description chart, for the station and each department is the primary communication for effective management. It should be maintained in a current status by the management engineering division of the Office of the Comptroller.
10. Heads of Departments should not be permitted to make organizational changes at their whim, but should be required to obtain prior approval of the Commanding Officer. It should be understood that matters relating to the changes in organization will be referred to the Comptroller for analysis and review by the Management Engineering Division. Naturally, the Comptroller should provide prompt service in this respect.

1. The Commission shall have the right to request the Government to provide information and documents, and to request the Government to take such measures as may be necessary to ensure the effective implementation of the Convention.

2. The Commission shall have the right to request the Government to take such measures as may be necessary to ensure the effective implementation of the Convention.

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## CHAPTER IV

### CONCLUSION

Because of the recent accent on comptrollership in the Navy those who are not fully aware of its objectives may consider it to be a mass of red tape and figures. It does have the peculiar attribute of highlighting areas of poor planning and insufficient thinking. A closer examination of its true nature reveals that it is only common sense.

In reviewing these pages the writer feels that there are five basic conclusions which may be drawn. They are:

1. The administrative management philosophy of the Navy has reason and soundness.
2. Comptrollership is not an attempt to usurp the powers of command, but is a service to reinforce the strength and effectiveness of command.
3. Comptrollership in the Navy is founded in law, and its application to the shore establishment is backed strongly by the Secretary of the Navy.
4. Comptrollership as practiced in business is not incompatible with the management philosophy of the Navy and can accomplish economies for the nation in its greatest annual expenditure, National Defense.
5. Comptrollership ashore calls for an intelligent and inquisitive approach in which the Commanding Officer must play the dominant role and the Comptroller and department heads must perform as an active supporting cast to make a successful production.

CHAPTER IV	CONTENTS
1. The purpose of the report is to provide a summary of the work done during the year 1911.	1
2. The work done during the year 1911 is divided into three main parts: (a) the work done in the field, (b) the work done in the laboratory, and (c) the work done in the office.	2
3. The work done in the field is described in detail in the following pages.	3
4. The work done in the laboratory is described in detail in the following pages.	4
5. The work done in the office is described in detail in the following pages.	5
6. The results of the work done during the year 1911 are summarized in the following pages.	6
7. The conclusions drawn from the work done during the year 1911 are summarized in the following pages.	7
8. The suggestions for further work are summarized in the following pages.	8
9. The bibliography is given in the following pages.	9
10. The index is given in the following pages.	10

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1940

1. The first of the three main groups of the population of the country is the working class. It is the largest group and is engaged in various kinds of work, both in the city and in the country. It is the backbone of the country and is the main force in the development of the country.

2. The second group is the middle class. It is the smallest group and is engaged in various kinds of work, both in the city and in the country. It is the backbone of the country and is the main force in the development of the country.

3. The third group is the upper class. It is the smallest group and is engaged in various kinds of work, both in the city and in the country. It is the backbone of the country and is the main force in the development of the country.

1941

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4. The fourth group is the lower class. It is the smallest group and is engaged in various kinds of work, both in the city and in the country. It is the backbone of the country and is the main force in the development of the country.

1942

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